

Registered number: 07142031

RKH SPECIALTY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016



RKH SPECIALTY LIMITED

COMPANY INFORMATION

DIRECTORS

E J Powell (resigned 22 March 2017)
C P R Evans (resigned 25 February 2016)
A T Bastow
S D Reid (appointed 1 October 2015, resigned 30 June 2016)
P D Smith (appointed 14 January 2016, resigned 30 November 2016)
I Richardson (appointed 1 October 2015, resigned 14 January 2016)
M K Tyler (appointed 1 December 2016, resigned 22 March 2017)
A K Cameron (appointed 22 March 2017)
A Barrett (appointed 22 March 2017)
B D Rugge-Price (appointed 22 March 2017)

COMPANY SECRETARY

A J Moore

REGISTERED NUMBER

07142031

REGISTERED OFFICE

16 Eastcheap
London
EC3M 1BD

INDEPENDENT AUDITOR

Deloitte LLP
London
EC4A 3TR

RKH SPECIALTY LIMITED

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RKH SPECIALTY LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

The Directors present their report and the financial statements for the year ended 30 September 2016.

PRINCIPAL ACTIVITY

Powell Bateson Limited ("the Company") is an insurance broker in run-off. On 1 October 2015 the business of the Company was transferred to Howden UK Group Limited with the effect that Powell Bateson Limited became a non-trading company from that date.

On 2 March 2017 this Company changed its name from Powell Bateson Limited to RKH Specialty Limited. On the same date the Company changed its registered office from Suite 30a, 1st Floor, Port of Liverpool Building, Pier Head, Liverpool, Merseyside L3 1BY to 16 Eastcheap, London EC3M 1BD

DIRECTORS

The Directors who served during the year were:

E J Powell (resigned 22 March 2017)
C P R Evans (resigned 25 February 2016)
A T Bastow
S D Reid (appointed 1 October 2015, resigned 30 June 2016)
P D Smith (appointed 14 January 2016, resigned 30 November 2016)
I Richardson (appointed 1 October 2015, resigned 14 January 2016)

MATTERS COVERED IN THE STRATEGIC REPORT

The following information has been included in the strategic report and incorporated into this report by reference:

- financial risk management objectives and policies

DIRECTOR'S INDEMNITIES

Hyperion Insurance Group Limited, the ultimate holding company, has made qualifying third party indemnity provisions for the benefit of the Company's Directors which were made during the year and remain in force at the date of this report.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information

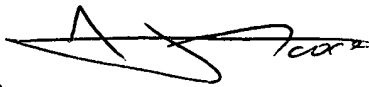
RKH SPECIALTY LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

AUDITORS

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on *29 June 2017* and signed on its behalf.

A handwritten signature in black ink, appearing to read 'A J Moore', is written over a horizontal line.

A J Moore
Secretary

RKH SPECIALTY LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

BUSINESS REVIEW

The Company made a profit after tax for the year ended 30 September 2016 of £3,944,735 (2015: £180,890).

	FY2016	FY2015
	£	£
Revenue	-	1,793,461
Profit after tax	3,944,735	180,890

On 1 October 2015 the Group undertook a restructure utilising the relief available under section 611 of the Companies Act 2006 ("s611"). The business of this company was transferred to Howden UK Group Limited in return for shares which were then sold to Howden Broking Group Limited. The gain on disposal of these shares was recognised in the Income Statement under profit on disposal of investment. For details see note 22.

During the year the Company paid a dividend of £3,903,000 (2015: NIL).

PRINCIPAL RISKS AND UNCERTAINTIES

The Company conducts its business whilst being fully aware of the risks arising from non-compliance with either local or international regulations and operates within a business framework which seeks to minimise the risk of financial crime (including bribery and corruption) occurring.

The Company is heavily dependent on its IT systems for delivery of its functions. The Company believes its IT systems and those systems provided by third parties are reliable and well protected, notwithstanding that they require regular updating and maintenance to ensure ongoing suitability.

Following the United Kingdom referendum result to exit the EU on 23 June 2016, the impact on market conditions, currency values and the wider economic environment is volatile, but the Directors are satisfied that the Company is sufficiently positioned to manage risks and react to any market developments.

This report was approved by the board on 29 June 2017 and signed on its behalf.



A T Bastow
Director

RKH SPECIALTY LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently
- make judgments and accounting estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RKH SPECIALTY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RKH SPECIALTY LIMITED

We have audited the financial statements of RKH Specialty Limited for the year ended 30 September 2016, set out on pages 7 to 23. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2016 and of its profit for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been prepared in accordance with the requirements of the Companies Act 2006

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Directors' report has been prepared in accordance with applicable legal requirements.

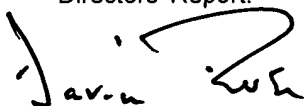
RKH SPECIALTY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RKH SPECIALTY LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us
- the financial statements are not in agreement with the accounting records and returns
- certain disclosures of directors' remuneration specified by law are not made
- we have not received all the information and explanations we require for our audit
- the Directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report.



David Rush (Senior Statutory Auditor)

for and on behalf of
Deloitte LLP

London
EC4A 3TR

Date: 29 June 2017

RKH SPECIALTY LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

		2016	2015
		£	£
Revenue	4	-	1,793,461
Administrative expenses		51,738	(1,565,370)
		<hr/>	<hr/>
OPERATING PROFIT		51,738	228,091
Profit on disposal of investment	22	3,903,000	-
Interest receivable and similar income	7	-	1,249
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,954,738	229,340
Taxation on profit on ordinary activities	8	(10,003)	(48,450)
		<hr/>	<hr/>
PROFIT FOR THE YEAR		3,944,735	180,890
		<hr/>	<hr/>

There were no recognised gains and losses for 2016 or 2015 other than those included in the income statement.

The notes on pages 12 to 23 form part of these financial statements.

All results are from continuing operations.

RKH SPECIALTY LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

	Note	2016 £	2015 £
Profit for the financial year		<u>3,944,735</u>	<u>180,890</u>

There was no other comprehensive income for 2016 (2015: NIL).

RKH SPECIALTY LIMITED
REGISTERED NUMBER: 07142031

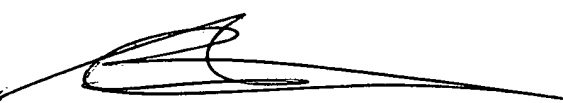
STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2016

	Note	2016 £	2015 £
FIXED ASSETS			
Tangible assets	10	-	48,882
		<u>-</u>	<u>48,882</u>
CURRENT ASSETS			
Debtors: amounts falling due within one year	12	5,378,911	1,488,683
Cash and cash equivalents	13	-	855,748
		<u>5,378,911</u>	<u>2,344,431</u>
Creditors: amounts falling due within one year	14	(4,069,171)	(1,121,015)
NET CURRENT ASSETS		<u>1,309,740</u>	<u>1,223,416</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,309,740</u>	<u>1,272,298</u>
Deferred tax	15	-	(4,293)
PROVISIONS FOR LIABILITIES		<u>-</u>	<u>(4,293)</u>
NET ASSETS		<u><u>1,309,740</u></u>	<u><u>1,268,005</u></u>
CAPITAL AND RESERVES			
Called up share capital	16	50,000	50,000
Retained earnings	17	1,259,740	1,218,005
		<u><u>1,309,740</u></u>	<u><u>1,268,005</u></u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

29 June 2017


A T Bastow
 Director

The notes on pages 12 to 23 form part of these financial statements.

RKH SPECIALTY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

	Share capital £	Retained earnings £	Total equity £
At 1 October 2015	50,000	1,218,005	1,268,005
COMPREHENSIVE INCOME FOR THE YEAR			
Profit for the year	-	3,944,735	3,944,735
	<hr/>	<hr/>	<hr/>
Dividends paid: Equity capital	-	(3,903,000)	(3,903,000)
	<hr/>	<hr/>	<hr/>
TOTAL TRANSACTIONS WITH OWNERS	-	(3,903,000)	(3,903,000)
	<hr/>	<hr/>	<hr/>
AT 30 SEPTEMBER 2016	<u>50,000</u>	<u>1,259,740</u>	<u>1,309,740</u>

RKH SPECIALTY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2015**

	Share capital £	Retained earnings £	Total equity £
At 1 October 2014	50,000	1,037,115	1,087,115
COMPREHENSIVE INCOME FOR THE YEAR			
Profit for the year	-	180,890	180,890
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	180,890	180,890
TOTAL TRANSACTIONS WITH OWNERS	-	-	-
AT 30 SEPTEMBER 2015	50,000	1,218,005	1,268,005

The notes on pages 12 to 23 form part of these financial statements.

RKH SPECIALTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

1. GENERAL INFORMATION

The Company is a private company limited by shares and is incorporated in the United Kingdom. The address of its registered office is 16 Eastcheap, London EC3M 1BD.

The Company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

2. ACCOUNTING POLICIES**2.1 Basis of preparation of financial statements**

The following accounting policies have been applied in dealing with items that are considered material in relation to the financial statements.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102), the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 21.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 paragraph 1.12 (a) - (e):

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv)
- the requirements of Section 7 Statement of Cash Flows
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d)
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23
- the requirements of Section 33 Related Party Disclosures paragraph 33.7

This information is included in the consolidated financial statements of Hyperion Insurance Group Limited as at 30 September 2016 and these financial statements may be obtained from the Group Finance Department, 16 Eastcheap, London EC3M 1BD.

RKH SPECIALTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

2. ACCOUNTING POLICIES (continued)**2.3 Going concern**

The Company's business activities, future outlook, business risks and uncertainties and risk management are set out in the Directors' Report and Strategic Report. As at 30 September 2016, the Company has net assets of £1,309,740 and net current assets of £1,309,740.

Having considered the aforementioned, and after making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in preparing the financial statements.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Revenue consists principally of brokerage, commissions and fees associated with the placement of insurance contracts, net of commissions payable to other directly involved parties. Revenue from brokerage, commission and fees are recognised on the inception date of the risk. Any adjustments to commissions arising from premium additions or reductions are recognised as and when they are notified by third parties.

Where contractual obligations exist for the performance of post placement activities, a relevant proportion of revenue received on placement is deferred and recognised over the period during which the activities are performed.

Profit commission is recognised when the amount can be estimated, with a reasonable degree of certainty, and is equivalent to the minimum value expected to be received.

2.5 Insurance intermediary assets and liabilities

Insurance intermediaries act as agents in placing the insurable risks of their clients with insurers and as such, generally, are not liable as principals for the amounts arising from such transactions. Accordingly, receivables arising from insurance broking transactions are not included as assets of the Company, other than the receivable for fees and commissions earned on the transaction, which is recognised within trade receivables. No recognition of the insurance transaction occurs until the Company receives cash in respect of premiums or claims, at which time a corresponding liability is established in favour of the insurer or the client and is recognised as an insurance payable.

Fiduciary cash arising from insurance broking transactions is included within insurance cash. The Company is entitled to retain the investment income on any cash flows arising from insurance related transactions.

RKH SPECIALTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

2. ACCOUNTING POLICIES (continued)**2.6 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Short-term leasehold property	- 10% Straight line
Fixtures and fittings	- 20% Straight line
Computer equipment	- 20% Straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Income Statement.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.10 Finance costs

Finance costs are charged to the Income Statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

RKH SPECIALTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

2. ACCOUNTING POLICIES (continued)

2.11 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.12 Employee benefits

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date. No holiday pay accrual was deemed necessary as at 30 September 2016 or 30 September 2015.

2.13 Interest income

Interest income is recognised in the Income Statement using the effective interest method.

2.14 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

RKH SPECIALTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The estimates and judgments that have a significant effect on the carrying value of assets and liabilities are:

(a) Revenue recognition

Revenue includes commission and fees receivable at the later of policy inception date or when the policy placement has been completed and confirmed. To the extent that the Company is contractually obliged to provide services after this date, a suitable proportion of income is deferred and recognised over the life of the relevant contracts to ensure that revenue appropriately reflects the fair value of fulfilment of these obligations. Profit commission and other contingent fee arrangements are recognised over the life of the relevant arrangement or when they can be measured with reasonable certainty.

4. ANALYSIS OF REVENUE

An analysis of turnover by class of business is as follows:

	2016 £	2015 £
Brokerage, commissions and fees	-	1,793,461
	<u>-</u>	<u>1,793,461</u>

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	-	1,793,461
	<u>-</u>	<u>1,793,461</u>

5. OPERATING PROFIT

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	-	23,450
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	5,400	9,000
Operating lease rentals	(12,812)	74,331
Directors remuneration	-	1,989
	<u>-</u>	<u>1,989</u>

Administrative expenses for 2016 were a credit to the Income Statement due to the release of surplus accruals.

RKH SPECIALTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

6. EMPLOYEES

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	-	73,146
Social security costs	-	7,323
Other staff costs	(40,748)	4,263
Cost of defined contribution scheme	-	3,493
	<u>(40,748)</u>	<u>88,225</u>

The Company has no employees other than the Directors, who were remunerated by another group company.

7. INTEREST RECEIVABLE

	2016 £	2015 £
Other interest receivable	-	1,249
	<u>-</u>	<u>1,249</u>

RKH SPECIALTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

8. TAXATION

	2016 £	2015 £
CORPORATION TAX		
Current tax on profits for the year	11,063	51,687
Adjustments in respect of previous periods	3,233	-
	<u>14,296</u>	<u>51,687</u>
TOTAL CURRENT TAX	<u>14,296</u>	<u>51,687</u>
DEFERRED TAX		
Origination and reversal of timing differences	-	(3,237)
Adjustment in respect of prior years	(4,293)	-
TOTAL DEFERRED TAX	<u>(4,293)</u>	<u>(3,237)</u>
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	<u>10,003</u>	<u>48,450</u>

No tax was charged or credited directly to the statement of changes in equity in current or prior year.

RKH SPECIALTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

8. TAXATION (continued)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2015 - *higher than*) the standard rate of corporation tax in the UK of 20% (2015 - 20%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	3,954,738	229,340
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20%)	790,948	45,868
EFFECTS OF:		
Expenses not deductible for tax purposes	716	1,613
Capital allowances for year in excess of depreciation	-	(715)
Depreciation add back	-	4,690
Adjustments to tax charge in respect of prior periods	(1,061)	231
Income not taxable (gain on investment)	(780,600)	-
Deferred tax origination and reversal of timing differences	-	(3,237)
TOTAL TAX CHARGE FOR THE YEAR	10,003	48,450

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The Company's profits for the accounting period to 30 September 2016 were taxed at an effective rate of 20%. Further changes to the UK corporation tax rate were substantively enacted in the Finance Bill 2016. These include reductions in the main rate to 19% from April 2017 and to 17% from April 2020. The Company's UK deferred tax balances have been recognised at 19% or 17% depending on when the timing/temporary differences are expected to be reversed.

9. DIVIDENDS

	2016 £	2015 £
Amounts recognised as distributions to equity holders in the period	3,903,000	-
	3,903,000	-

RKH SPECIALTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

10. TANGIBLE FIXED ASSETS

	Short-term leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
COST				
At 1 October 2015	69,834	38,152	45,532	153,518
Disposals	(69,834)	(38,152)	(45,532)	(153,518)
At 30 September 2016	-	-	-	-
DEPRECIATION				
At 1 October 2015	34,917	31,905	37,814	104,636
Disposals	(34,917)	(31,905)	(37,814)	(104,636)
At 30 September 2016	-	-	-	-
NET BOOK VALUE				
At 30 September 2016	-	-	-	-
At 30 September 2015	34,917	6,247	7,718	48,882

RKH SPECIALTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2016

11. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £
COST	
Additions	311,000
Disposals	(311,000)
At 30 September 2016	-

On 1 October 2015 the Company sold its business to Howden UK Group Limited in exchange for shares. On the same day the Company sold this investment in Howden UK Group Limited to Howden Broking Group Limited with the gain on disposal being recognised in the Income Statement. For details see note 23.

12. DEBTORS

	2016 £	2015 £
Insurance debtors	-	472,706
Amounts owed by group undertakings	5,345,268	955,676
Other debtors	33,643	20,158
Prepayments and accrued income	-	40,143
	5,378,911	1,488,683

13. CASH AND CASH EQUIVALENTS

	2016 £	2015 £
Cash at bank and in hand	-	312,828
Insurance cash	-	542,920
	-	855,748

RKH SPECIALTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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14. CREDITORS: Amounts falling due within one year

	2016 £	2015 £
Insurance creditors	-	542,920
Amounts owed to group undertakings	4,052,707	397,897
Corporation tax	11,064	51,456
Taxation and social security	-	39,539
Other creditors	-	20,170
Accruals and deferred income	5,400	69,033
	<u>4,069,171</u>	<u>1,121,015</u>

15. DEFERRED TAXATION

	Deferred tax £
At 1 October 2015	(4,293)
Utilised in year	4,293
AT 30 SEPTEMBER 2016	<u>-</u>

The deferred taxation balance is made up as follows:

	2016 £	2015 £
Accelerated capital allowances	-	(4,293)
	<u>-</u>	<u>(4,293)</u>

16. SHARE CAPITAL

	2016 £	2015 £
Allotted, called up and fully paid		
50,000 Ordinary shares shares of £1 each	<u>50,000</u>	<u>50,000</u>

RKH SPECIALTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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17. RESERVES

Profit and loss account

Made up of all current and prior period retained profits and losses.

18. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption available in FRS 102 to not disclose related party transactions with subsidiaries that are wholly owned within the group.

19. POST BALANCE SHEET EVENTS

There are no material post balance sheet events required to be disclosed.

20. CONTROLLING PARTY

The Company's ultimate parent company is Hyperion Insurance Group Limited, a company incorporated in the United Kingdom and registered in England and Wales.

The largest group of which the Company is a member for which group financial statements are drawn up is that of Hyperion Insurance Group Limited. Copies of the financial statements of this company can be obtained from the Group Finance Department, 16 Eastcheap, London EC3M 1BD.

21. TRANSITION TO FRS 102

Following a review of the Company's insurance activities, the Company has deemed that it is an agent and therefore is required to net down the insurance debtors and creditors.

22. GROUP RECONSTRUCTIONS

On 1 October 2015 the business of the Company was sold to a fellow subsidiary of the Hyperion Insurance Group Limited, Howden UK Group Limited in exchange for 311,000 shares with a nominal value £1 per share. On the same date this Company sold its investment in Howden UK Group Limited to Howden Broking Group Limited for £4,214,000 resulting on a gain on disposal of £3,903,000, this amount being recognised in the Income Statement. This gain was subsequently paid up to Powell Bateson Holdings Limited by way of a dividend.